

Message Text

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FM AMEMBASSY ABU DHABI

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E.O. 11652: GDS

TAGS: ENRG, TC, US

SUBJ: UAE OFFER OF LONG-TERM SUPPLY OF PETROLEUM

REF: STATE 265664 AND STATE 265764

FOR UNDER SECRETARY ROBINSON AND ASST SECY ATHERTON

1. OTAIBA'S INITIATIVE IN OFFERING LONG-TERM CRUDE SUPPLY ARRANGEMENT AND DEPARTMENT'S EXPRESSION OF INTEREST IN RESPONSE RAISES NUMBER OF QUESTIONS UPON WHICH I WOULD APPRECIATE FURTHER BACKGROUND/ GUIDANCE.

A) WHAT IS OUR OVERALL POLICY WITH RESPECT TO LONG-TERM GOVERNMENT-TO-GOVERNMENT SUPPLY DEALS? HAVE WE CONCLUDED SUCH DEALS WITH OTHER SUPPLIERS TO DATE, AND IF SO FOR WHAT QUANTITY AND ON WHAT TERMS? ARE WE APPROACHING SUCH PROPOSITIONS ON AD HOC BASIS OR DO THEY FIT INTO OVERALL POLICY FRAMEWORK THAT ENVISAGES CERTAIN PROPORTION OF OUR FUTURE IMPORTS COMPOSED OF SUCH GOVERNMENT-TO-GOVERNMENT CONTRACTS?

B) WITH RESPECT SPECIFICALLY TO POSSIBLE DEAL WITH ABU DHABI, WHEN WE SPEAK OF NEED FOR PRICE TO BE RIGHT, ROUGHLY WHAT KIND OF FIGURE DO WE HAVE IN MIND? AS FAR AS WE KNOW CONTRACTS CONCLUDED HERE WITH INDEPENDENT BUYERS HAVE NOT STRAYED FAR BELOW OPEC "MARKET PRICE" (I.E. 93 PERCENT OF POSTING). ALTHOUGH RELATIVELY LARGE QUANTITY OF CRUDE, TOGETHER WITH LONGER-TERM OF CONTRACT THE UNDER SECRETARY TALKED ABOUT, AS WELL AS DESIRABILITY FROM ABU DHABI POINT OF VIEW OF BREAKING INTO AMERICAN MAR-

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KET, MAY BE FACTORS THAT WOULD CAUSE GOVERNMENT HERE TO GIVE A GREATER

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PRICE DISCOUNT, OTAIBA MENTIONED TO ME OTHER DAY AT SOCIAL GATHERING THAT PRICE "COULD NOT BE TOO FAR FROM OPEC NORM". QUESTION I AM POSING IN GENERAL TERMS IS, WITH THIS FOREKNOWLEDGE ABOUT ABU DHABI ATTITUDES ON PRICE, ARE WE IN THE SAME BALLPARK WITH RESPECT TO POSSIBILITY OF REACHING MUTUALLY AGREEABLE PRICE?

C) FINALLY, HOW DO WE INTEND TO CONDUCT THESE DISCUSSIONS? BOTH BECAUSE OF SLOPPINESS AND INSECURITY OF UAE COMMUNICATIONS, AS WELL AS FACT THAT SAEED GHUBBASH HAS NO ONE ON HIS TAFF IN WASHINGTON WHO KNOWS MUCH ABOUT OIL, I BELIEVE IT BEST FOR PROPOSALS TO BE TRANSMITTED AND DISCUSSIONS CONDUCTED THROUG THIS EMBASSY WITH OTAIBA. WE RECOGNIZE OF COURSE THAT IF DEAL SHAPES UP IT MAY BECOME DESIRABLE FOR WASHINGTON TO SEND EXPERTS HERE TO PURSUE DISCUSSIONS, OR ALTERNATIVELY FOR OTAIBA TO SEND HIS PEOPLE TO WASHINGTON.

2. OTAIBA INDICATED TO ME THAT HE HAD NOT CLEARED HIS PORPOSAL FOR LONG-TERM SUPPLY CONTRACT WITH ABU DHABI NATIONAL OIL COMPANY, BUT HE WAS IN PRECESS OF DISCUSSING THIS WITH THEM AT MOMENT. WHEN THEY REACHED AGREEMENT OTAIBA SAID HE WOULD PUT PORPOSAL DOWN IN WRITING AND FORWARD IT TO US.

3. OTAIBA WAS OBVIOUSLY HIGHLY PLEASED WITH HIS VISIT TO WASHINGTON. HE ASKED ME TO CONVEY TO BOTH OF YOU HIS APPRECIATION FOR WARM RECEPTION EXTENDED TO HIM AND FOR EXCELLENT ARRANGEMENT MADE FOR HIS VISIT.

4. WOULD APPRECIATE FULLEST POSSIBLE GUIDANCE ON QUESTIONS POSED PARA ONE.
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